



**Director of
Central
Intelligence**

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National Intelligence Daily (Cable)

18 August 1982

DIA review completed.

State Dept. review completed

USAF review completed.

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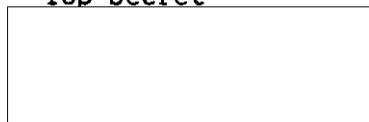
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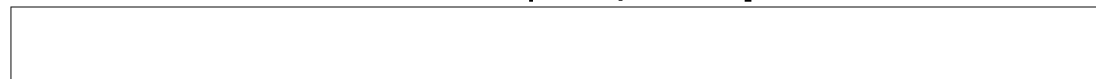
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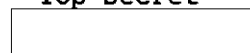
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ISRAEL-LEBANON: Moving Back From the Crossings

(Information as of 2330 EDT)

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//Beirut remained generally calm yesterday. Syria has raised taxes to pay defense costs.// [REDACTED]

//An Israeli military spokesman reported light weapons fire on Israeli positions in southwestern Beirut yesterday. [REDACTED]

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// [REDACTED]

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Recent trips in that area by Western military attaches also have failed to detect significant Israeli concentrations. [REDACTED]

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Syria Raises Taxes To Pay War Costs

To defray military costs and conserve scarce foreign exchange, Damascus has raised taxes and prices of basic commodities. Official fuel prices have gone up 10 to 30 percent. [REDACTED]

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In addition, a broadly based tax earmarked for defense expenditures has been doubled, and another 20-percent surcharge has been added to support the families of Syrian casualties. According to the US Embassy, the government is rumored to be planning a 50- to 100-percent increase in nearly all other taxes except income taxes. [REDACTED]

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Comment: Recent Arab aid payments apparently have been used primarily to meet military expenses. The government continues to limit civilian imports to food and other basic commodities. [REDACTED]

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CHINA-US-TAIWAN: Reaction to Communique

China's official Foreign Ministry statement and a People's Daily editorial yesterday warned that the US-Chinese communique does not resolve the differences over Taiwan or remove the Taiwan Relations Act as a major obstacle to closer ties.

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Beijing stressed in both official vehicles that the communique is the first step toward the settlement of the Taiwan issue. In underscoring the principles of sovereignty and noninterference in each other's internal affairs, the Chinese said that only the termination of US arms sales to Taiwan would satisfy them and permit the unimpeded development of their relationship with the US. They attacked the Taiwan Relations Act; disavowed any link between it and the communique; and warned that, if the US managed relations in accordance with the Act, it would certainly bring another "grave crisis."

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Taiwan's official reaction, meanwhile, expressed regrets over the communique and publicized alleged US assurances about policy toward the island.

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Comment: China's quick move to go on record with its interpretation of the document may be politically necessary for Deng Xiaoping and his supporters, who are responsible for the compromise that avoided a serious rupture in relations with the US. In repeating their previous attacks on the Taiwan Relations Act, however, the Chinese also are indicating they will continue to monitor US policy and behavior toward Taiwan. In this atmosphere, new arms sales or other US actions that Beijing considers in violation of the communique will prompt a sharply negative reaction.

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By playing down the significance of the communique, Taipei apparently is trying to deny domestic critics a new opportunity to attack its handling of relations with Washington. Some in Taipei may try to mount stronger attacks on the document, but the government is likely to curb their efforts because of its concern that such action could jeopardize US arms sales.

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MOZAMBIQUE-CUBA: Possible Request for Troops

//The Cuban Ambassador in Maputo last week told his British counterpart that Havana believes Mozambique, as a result of the deteriorating security situation there, will call for Cuban combat troops.// [REDACTED]

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//The Ambassador seemed unenthusiastic over such a prospect. He stated, however, that Havana would feel compelled to acquiesce.// [REDACTED]

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Comment: *//It is unusual for Cuban diplomats to volunteer such sensitive information to Western colleagues unless acting on instructions from Havana. The Ambassador's remarks may have been a forewarning that a decision has been made. They also may have been intended to encourage the West to put pressure on Pretoria to reduce its aid to the insurgents, a move Havana may hope would relieve it of the need to send troops.//* [REDACTED]

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SEYCHELLES: Army Mutiny

//President Rene is attempting to negotiate with some 55 mutinying troops who are seeking the ouster of four of the Army's commanding officers.// [redacted]

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The dissidents backed up their demands on Tuesday by seizing the local radio station and 239 hostages. Heavy small arms fire and some military casualties occurred during the early phases of the mutiny. [redacted]

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The mutineers have threatened to release the mercenaries who were convicted after a South African coup attempt last November. [redacted]

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The US Air Force tracking station in Mahe reports that the apparent cause of the mutiny was anger over severe military discipline ordered by the four officers. [redacted]

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Comment: Rene probably has enough support on hand--loyal members of the 900-man Army and approximately 120 Tanzanian soldiers stationed on the island--to retain control. France, which came to Rene's aid during the November attack, probably again would answer his call, but Rene probably prefers to try to negotiate first to avoid stirring up racial tension by cracking down on members of the virtually all-black Army. [redacted]

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He probably also is eager for an excuse to get rid of the four officers, who are a threat to him. He will not want, however, to lose his independence by giving in to the dissidents. [redacted]

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There is no evidence of foreign involvement in the mutiny, although the US tracking station reported that a government boat picked up Soviet Embassy officials as the coup began. [redacted]

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South Africa has kept a low profile in the islands since the coup attempt last November. [redacted]

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INTERNATIONAL: Prospects for Global Negotiations

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//French soundings among selected developing countries indicate prospects are dim for agreement soon on starting Global Negotiations.//

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Since mid-July, France on behalf of the OECD has been urging key developing countries to accept the Versailles summit amendments to their proposed draft on Global Negotiations.//

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//None of the countries canvassed by France is prepared to change its position.

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The Versailles position differs substantially from the developing countries' draft. The industrialized nations want to preserve the independence of such specialized institutions as GATT and the IMF, in which they now have preponderant power. The developing countries prefer to concentrate the power of a central body within the UN in order to exert influence over the specialized agencies.

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Comment:

most developing countries probably remain interested enough that they will become more flexible later and will try hard to persuade the intransigents.//

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ARGENTINA: Labor Challenges the Government

Railroad workers and bus drivers are threatening to strike beginning today if demands for substantial wage hikes are not met. State electrical workers have announced a strike for next week, and the US Embassy reports other unions may shortly call work stoppages.

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Comment: //Some of the threatened strikes probably will materialize. The government so far has avoided large work stoppages through mediation by the Ministry of Labor, but the strikes in the transportation and energy sectors, coupled with growing social unrest, would test the effectiveness of the regime. President Bignone probably will combine an offer of modest wage increases with threats of a crackdown in an attempt to persuade the unions to call off the strikes. Even if these tactics succeed in the short run, the wage-price spiral will continue to undermine government efforts to stabilize the economy and contain social discontent.//

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CHINA: Bumper Rice Harvest

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[redacted]
[redacted] The Chinese press has stated more new higher yielding hybrid rice varieties were sown this year in a slightly smaller area. [redacted]
[redacted]

Comment: //The early rice harvest this year probably will exceed the record 52 million tons produced in 1979, and the middle rice crop should match or exceed the estimated record of 42 million tons in 1981. The total rice crop could surpass the record in 1979 of nearly 144 million tons. Although a new export tax and the loss of a large export storage facility in south China will hold rice exports near the 600,000-ton level of last year, the anticipated bumper harvest will assist Beijing's efforts to raise peasant living standards.// [redacted]

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FRANCE: Mitterrand on the Middle East and Terrorism

President Mitterrand, in a rare televised interview yesterday, linked the recent spate of terrorist activity in France to the French role as a "principal force for peace in the Middle East." He stressed that the attacks would not alter Paris' commitment to that role and said that peace in the region must be based on Israel's right to exist within defensible borders, Lebanon's right to independence, and the Palestinians' right to a homeland. He announced new measures to deal with terrorism within France and a readiness to discuss cooperation against terrorism with other European nations. Initial press and Embassy reports did not spell out any new cooperation measures with other European states. [redacted]

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